

1 **Modified Text of Proposed Regulations**
2 **15-Day Change (October 2007)**

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4
5 **California Code of Regulations, Title 4. Business Regulations**
6 **Division 18. California Gambling Control Commission**
7 **Chapter 6. State Gambling Licenses and Approval For Gambling**
8 **Establishments, Owners, and Key Employees.**
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12
13 **Article 1. Definitions and General Provisions.**

14
15 **12335. Definitions.**

16
17 (a) Except as otherwise provided in section 12002(b) of these regulations, the definitions
18 in Business and Professions Code section 19805 shall govern the construction of this
19 chapter.

20
21 (b) As used in this chapter:

22
23 ~~(1) "Gambling Enterprise" means a gambling operation as defined in Business and~~
24 ~~Professions Code, section 19805(o).~~

25
26 ~~(2)~~(1) "Table Fee" means the fee established by Business and Profession Code,
27 section 19951(b)(2).

28
29 Authority cited: Sections 19811(b), 19823, 19824, 19840 and 19841, Business and
30 Professions Code.

31 Reference: Sections 19800, 19805(1) and (o), 19811 and 19951(b)(2), Business and
32 Professions Code.

33
34
35 **Article 2. Licensing**

36
37 **12340. Gambling License and Key Employee License.**

38
39 (a) No person may conduct a gambling operation ~~or gambling enterprise or be a key~~
40 ~~employee of a gambling operation or gambling enterprise~~ without a current valid
41 gambling license issued by the Commission.

42
43 (b) No person may be a key employee of a gambling operation without a current valid
44 key employee license issued by the Commission.
45

1 ~~(b)~~(c) A state gambling license and key employee license shall be ~~issued~~valid for a period
2 of two (2) years.

3
4 Authority cited: Sections 19811(b), 19823, 19824, 19840, 19841, 19850, 19851, 19852,
5 19853, 19854 and 19876(a), Business and Professions Code.

6 Reference: Sections 19850, 19851, 19854 and 19876(a), Business and Professions Code.
7

8
9 **12342. Initial and Renewal License Applications; Required Forms.**

10
11 (a) Any person applying for a state gambling license or key employee license shall, as
12 appropriate, complete the following forms, which are hereby incorporated by reference:

13 (1) Application for State Gambling License, CGCC-030 (Rev. 01-05~~06/07~~08/07).

14
15 (2) Application for Gambling Establishment Key Employee License, CGCC-031
16 (Rev. 01-05~~06/07~~08/07).

17
18 (3) ~~Cardroom Applicant Supplemental Information for State Gambling~~
19 Gambling Establishment Owner Applicant-Individual Supplemental
20 Background Investigation Information, DGC-APP-015A (Rev. 09-04~~04/07~~08/07).

21
22 (4) ~~Cardroom Applicant—Business~~ Gambling Establishment Owner Entity
23 Supplemental Information for State Gambling License, DGC-APP-015B (New 09-
24 ~~04~~Rev. 04/0708/07).

25
26 (5) Gambling Establishment Supplemental Information for State Gambling License,
27 DGC-APP-015C (New 09-04~~Rev. 04/07~~08/07).

28
29 (6) ~~Cardroom Key Employee Supplemental Information for State Gambling~~
30 Gambling Establishment Key Employee Supplemental Background
31 Investigation Information, DGC-APP-016A (Rev. 09-04~~06/07~~08/07).

32
33 (7) Cardroom Applicant's Spouse Supplemental Background Information for State
34 Gambling License, DGC-APP. 009A (Rev. 09-04).

35
36 (8) ~~Renewal Supplemental Information for State Gambling/Key Employee License~~
37 ~~and Instructions to Renewal Applicants~~, DGC APP. 017A (Rev. 12-04).

38 (8) Trust Supplemental Background Investigation Information, DGC-APP-143 (New
39 ~~06/07~~08/07)

40
41 (9) Declaration of Full Disclosure, DGC-APP. 005 (Rev. 09-04).

42
43 (10) Authorization to Release Information, DGC-APP. 006 (Rev. 09-04~~05/07~~08/07).

44
45 (11) Applicant's Declaration, Acknowledgment and Agreement (Community Property
46 Interest), DGC-APP. 011 (Rev. 09-04).

- 1
2 (12) Applicant's Declaration, Acknowledgment and Agreement (Sole and Separate
3 Property), DGC-APP. 012 (Rev. 09-04).
4
5 (13) Spouse's Declaration, Acknowledgment and Agreement (Community Property
6 Interest), DGC-APP. 013 (Rev. 09-04).
7
8 (14) Spouse's Declaration, Acknowledgment and Agreement (Sole and Separate
9 Property), DGC-APP. 014 (Rev. 09-04).
10
11 ~~(15) Report of Annual Gross Revenues DGC APP. 018 (Rev. 09-03).~~
12
13 ~~(16) Declaration of Compliance With The Requirement for Public Notice of~~
14 ~~Application for a Gambling License, DGC LIC. 100 (Rev. 07-03).~~
15
16 ~~(17) Instructions for Public Notice of an Application for a Gambling Establishment~~
17 ~~License, DGC LIC. 102 (Rev. 07-03).~~
18
19 ~~(18) Public Notice of An Application for a Gambling Establishment License, DGC-~~
20 ~~LIC. 102A (Rev. 7-03).~~
21
22 ~~(19)~~(15) Appointment of Designated Agent, DGC-APP. 008 (Rev. 09-03).
23
24 ~~(20) Employee Work Permit Certification, DGC APP. 019 (Rev. 09-03).~~
25
26 ~~(21)~~(16) Key Employee Report, DGC-LIC. 101(Rev. 07-03).
27
28 ~~(22) Instructions to Applicants, DGC APP. 007 (Rev. 12-04).~~
29
30 ~~(23)~~(17) Instructions to Applicant's Spouse, DGC-APP. 010 (Rev. 12/04).
31
32 ~~(24)~~(18) Notice to Applicants, DGC-APP. 001 (Rev. 09-04).
33
34 ~~(25)~~(19) Request for Live Scan Service (California Department of Justice Form BCII
35 8016, Rev. 4/01).
36
37 ~~(26)~~(20) Request for Copy of Personal Income Tax or Fiduciary Return, FTB-3516C1
38 (Rev. 06/03 side 1-PIT).
39
40 ~~(27)~~(21) Request for Copy of Corporation, Exempt Organization, Partnership, or
41 Limited Liability Company Return FTB-3516C1 (Rev. 06/03 side 2-CORP).
42
43 ~~(28)~~(22) Tax Information Authorization (IRS 8821, Rev. April 2004)Request for
44 Transcript of Tax Return IRS 4506-T, Rev. April 2006).
45

Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code.
Reference: Sections 19850, 19851, 19852, 19854, 19855, 19856, 19857, 19864, 19865, 19866, 19867, 19876, 19880, 19881, 19883, 19890, 19893, 19951 and 19982, Business and Professions Code.

12343. Processing Times -Initial Applications.

(a) Except as provided in subsection (b), initial gambling or key employee license applications submitted pursuant to this chapter shall be processed within the following timeframes:

(1) The maximum time within which the Commission shall notify the applicant in writing that an application or a resubmitted application is complete and accepted for initial processing by the Commission, or that an application or a resubmitted application is deficient and identifying what specific additional information is required, is 20 days after receipt of the application. For the purposes of this section, "application" means the Application for State Gambling License, CGCC-030 (Rev. ~~01-05-06/07~~08/07) and the Application for Gambling Establishment Key Employee License, CGCC-031 (Rev. ~~01-05-06/07~~08/07), both of which are incorporated by reference in Section 12342. An application is not complete unless accompanied by the fee of five hundred dollars (\$500) specified in Business and Professions Code section 19951(a). In addition, an applicant shall submit with the application, any supplemental information required by section 12342 for review by the Division pursuant to paragraph (3) of this subsection. The supplemental information shall not be reviewed for completeness by the Commission.

(2) An application for a license and the supplemental information shall be forwarded by the Commission to the Division ~~for processing~~ within 10 days of the date that the Commission determines that the application is complete.

(3) The Division shall review the supplemental information submitted for completeness and notify the applicant of any deficiencies in the supplemental information, or that the supplemental information is complete, within 30 days of the date that the application and supplemental information are received by the Division from the Commission. Notwithstanding this subsection, subsequent to acceptance of the supplemental information as complete, the Division may pursuant to Business and Professions Code section 19866 require the applicant to submit additional information.

(4) Pursuant to Business and Professions Code section 19868, the Division shall, to the extent practicable, submit its recommendation to the Commission within 180 days after the date the Division is in receipt of both the completed application pursuant to paragraph (2) of this subsection and the completed supplemental information pursuant to paragraph (3) of this subsection. If the Division has not concluded its investigation within 180 days, then it shall inform the applicant and the Commission in writing of

1 the status of the investigation and shall also provide the applicant and the
2 Commission with an estimated date on which the investigation may reasonably be
3 expected to be concluded.

4
5 (5) The Commission shall grant or deny the application within 120 days after receipt
6 of the final written recommendation of the Division concerning the application,
7 except that the Commission may notify the applicant in writing that additional time,
8 not to exceed 30 days, is needed.

9
10 (b) The processing times specified in subsection (a) may be exceeded in any of the
11 following instances:

12
13 (1) The applicant has agreed to extension of the time.

14
15 (2) The number of licenses to be processed exceeds by 15 percent the number
16 processed in the same calendar quarter the preceding year.

17
18 (3) The Commission must rely on another public or private entity for all or part of the
19 processing and the delay is caused by that other entity.

20
21 Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions
22 Code.

23 Reference: Sections 19841 and 19868, Business and Professions Code.

24
25
26 **12344. License Renewals.**

27
28 (a) Each application for renewal of a state gambling license ~~for an individual or a~~
29 ~~business organization~~ or for renewal of a key employee license shall be accompanied by
30 all of the following:

31
32 (1) A completed ~~form~~ application:

33
34 (A) Applicants for a state gambling license shall use the form "Application for
35 State Gambling License, CGCC-030 (Rev. ~~01-05~~06/0708/07)."

36
37 (B) Applicants for a key employee license shall use the form "Application for
38 Gambling Establishment Key Employee License, CGCC-031 (Rev. ~~01-~~
39 ~~05~~06/0708/07)."

40
41 ~~(2) A completed form entitled "Renewal Supplemental Information for State~~
42 ~~Gambling/Key Employee License and Instructions to Renewal Applicants, DGC-~~
43 ~~APP.017A (Rev. 12-04)" together with any documents required by the form.~~

44
45 ~~(3)~~(2) A nonrefundable application fee in the amount of five hundred dollars (\$500).

1 (b) Each key employee or other person whose name is required to be endorsed upon the
2 license shall submit a separate application for renewal of that person's license, together
3 with the application fee specified in subsection (a).
4

5 (c) All applications for renewal of state gambling licenses and key employee licenses for
6 a particular gambling establishment shall be submitted together as a single package to the
7 California Gambling Control Commission.
8

9 (d) If, after a review of an application for renewal of a state gambling license or a key
10 employee license, the Division of Gambling Control determines that further investigation
11 is needed, the applicant shall submit an additional sum of money that, in the judgment of
12 the Director of the Division, will be adequate to pay the anticipated investigation and
13 processing costs, in accordance with Business and Professions Code section 19867.
14

15 Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions
16 Code.

17 Reference: Sections 19876, 19851 and 19951, Business and Professions Code.
18
19

20 **12345. Processing Times -Renewal Applications.**

21

22 (a) Except as provided in subsection (b), renewal gambling or key employee license
23 applications submitted pursuant to Section 12344 shall be processed within the following
24 timeframes:
25

26 (1) An application for renewal of a gambling license or key employee license shall be
27 filed by the owner licensee or the key employee with the Commission no later than
28 120 days prior to the expiration of the current license.
29

30 (2) The maximum time within which the Commission shall notify the applicant in
31 writing that an application or a resubmitted application is complete and accepted for
32 initial processing by the Commission, or that an application or a resubmitted
33 application is deficient and identifying what specific additional information is
34 required, is 10 days after receipt of the application. For the purposes of this section,
35 "application" means the Application for State Gambling License, CGCC-030 (Rev.
36 01-05~~06/07~~08/07) and the Application for Gambling Establishment Key Employee
37 License, CGCC-031 (Rev. 01-05~~06/07~~08/07), both of which are incorporated by
38 reference in Section 12342. An application is not complete unless accompanied by
39 the fee of five hundred dollars (\$500) specified in Business and Professions Code
40 section 19951(a). In addition, an applicant shall submit with the application, any
41 supplemental information required by section 12342 for review by the Division.
42

43 (3) An application for a license and the supplemental information shall be forwarded
44 by the Commission to the Division for processing within five days of the date that the
45 Commission determines that the application is complete.
46

(4) The Division shall submit its written recommendation concerning the renewal application to the Commission no later than 45 days prior to the expiration of the current license.

(b) The processing times specified in paragraphs (2) through (4) of subsection (a) may be exceeded in any of the following instances:

(1) The applicant has agreed to extension of the time.

(2) The number of licenses to be processed exceeds by 15 percent the number processed in the same calendar quarter the preceding year.

(3) The Commission must rely on another public or private entity for all or part of the processing and the delay is caused by that other entity.

Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code.

Reference: Sections 19868 and 19876, Business and Professions Code.

Article 3. Table Fee; Requests for Additional Tables

12357. Table Fee.

The fee required by Business and Professions Code section 19951, subdivision (b)(2)(B) shall be based on the criteria in subsection (a) or (b) of this section, whichever is applicable, and shall be due and paid annually by the holder of a state gambling license to the Commission no later than ~~April 30 of each calendar year~~ 120 calendar days following the end of the licensee's fiscal year.

(a) The fee specified in Business and Professions Code section 19951, subdivision (c) shall be based on the number of tables ~~in use~~ authorized by the license during the ~~calendar year immediately preceding the year in which the fee is due. For example, fees that are due on April 30, 2009 are based on the number of tables in use during the calendar year of 2008~~ licensee's preceding fiscal year.

(b) The fee specified in Business and Professions Code section 19951, subdivision (d) shall be based on the ~~owner licensee's~~ gross revenues for the ~~calendar year immediately preceding the year in which the fee is due. For example, fees that are due on April 30, 2009 are based on the gross revenues for the calendar year of 2008~~ preceding fiscal year.

(c) ~~For the purposes of this section, a calendar year commences on January 1 and ends on the following December 31.~~ Each holder of a state gambling license shall submit to the Commission, together with their payment of the annual fee specified in this section, a completed form Gambling Establishment Annual Fee Calculation, CGCC-028 (New 08/07), which is hereby incorporated by reference.

Authority cited: Sections 19811(b), 19823, 19824, 19840, 19841, 19876(a) and 19951, Business and Professions Code.

Reference: Sections 19841, 19876(a) and 19951, Business and Professions Code.

12358. Request for Additional Temporary Tables for Tournaments or Special Events.

(a) An owner licensee of a gambling establishment may apply to operate, on a limited and temporary basis, for a tournament or special event (hereinafter, event), more tables than the gambling establishment is authorized to regularly operate. To apply for additional tables, the applicant must submit to the Commission, no less than 45 days prior to the event, the following for each event:

(1) A completed and signed application form entitled "Request for a Certificate to Operate Additional Tables on a Temporary Basis" CGCC-024 (Rev. 07/06), which is attached in Appendix A to this Chapter.

(2) A non-refundable application fee of \$500, ~~made payable to the California Gambling Control Commission~~, plus a Division review deposit ~~made payable to the Division of Gambling Control~~, pursuant to California Code of Regulations, title 11, section 2037, made payable to the California Gambling Control Commission.

(3) Fees for the additional tables, as calculated according to the form in subsection (a)(1), above.

(b) The Commission shall not grant the application if a review by the Division discloses any of the following:

(1) The requested temporary increase in the number of tables would exceed the number of tables allowed to be operated by the local jurisdiction for either the particular cardroom or the jurisdiction where the gambling establishment is located.

(2) The requested temporary increase in the number of tables has been denied by the local jurisdiction where the gambling establishment is located.

(3) The gambling establishment's state gambling license is suspended or contains conditions precluding the approval of a temporary increase in the number of tables.

(4) The gambling establishment has outstanding fees, deposits, fines, or penalties owing to the Commission or to the Division.

(c) The Commission may deny the application if the application as submitted was untimely or incomplete.

1 (d) A request by an applicant to withdraw the application shall result in the application
2 being considered abandoned, and the fees for the additional tables and unused deposit
3 amounts returned, with no further action to be taken by the Commission.
4

5 (e) The Commission may delegate the authority to deny the requested temporary increase
6 or to issue a license certificate approving the requested temporary increase in the number
7 of tables to any employee of the Commission. Commission staff shall commence the
8 initial review and shall forward the application to the Division for review within 7 days
9 of receipt of the application. The Division shall complete its review and return its
10 findings to the Commission within 25 days of receipt of the application from the
11 Commission. Commission staff shall then complete the review within 13 days of
12 receiving the Division's findings and notify the applicant.
13

14 Authority cited: Sections 19811, 19823, 19824, 19840, 19841(a)-(c) and (p), 19864,
15 19950(b) and 19952, Business and Professions Code.

16 Reference: Section 19951, Business and Professions Code.
17
18

19 **12359. Request for Additional Permanent Tables.**
20

21 (a) The owner licensee of a gambling establishment may apply to operate additional
22 tables on a permanent basis by submitting the following to the Executive Director:
23

24 (1) A completed and signed application form entitled "Application for Additional
25 Authorized Permanent Tables" CGCC-027 (Rev. 07-06), which is attached in
26 Appendix A to this Chapter.
27

28 (2) A non-refundable application fee of \$500, ~~made payable to the California~~
29 ~~Gambling Control Commission~~, plus a Division review deposit ~~made payable to the~~
30 ~~Division of Gambling Control~~, pursuant to California Code of Regulations, title 11,
31 section 2037, made payable to the California Gambling Control Commission.
32

33 (b) The Commission shall not grant the application if any of the following are disclosed
34 by the application or the results of the investigation of the applicant by the Division:
35

36 (1) The requested increase in the number of tables would exceed the number of tables
37 allowed to be operated by the local jurisdiction for either the particular cardroom or
38 the jurisdiction in which the gambling establishment is located.
39

40 (2) The requested increase in the number of tables has been denied by the local
41 jurisdiction in which the gambling establishment is located.
42

43 (3) The gambling establishment's state gambling license is suspended or is subject to
44 conditions precluding the approval of an increase in the number of tables.
45

1 (4) The gambling establishment has outstanding fees, deposits, fines, or penalties
2 owing to the Commission or to the Division.
3

4 (c) A request by an applicant to withdraw the application shall result in the application
5 being considered abandoned and unused deposit amounts returned, with no further action
6 to be taken by the Commission.
7

8 (d) Commission staff shall commence the initial review and shall forward the application
9 to the Division for investigation within 7 days of receipt of the application. The Division
10 shall complete its review and return its findings to the Commission within 25 days of
11 receipt of the application from the Commission. Commission staff shall then complete
12 the review and set the request on the Commission agenda within 90 days of receiving the
13 Division's findings and advise the applicant of the agenda date and any required table
14 fees due. If the request for additional permanent tables is approved, applicant must pay
15 the required tables fee due before placing the additional tables in operation.
16

17 Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19864, 19950(b) and
18 19951, Business and Professions Code.

19 Reference: Section 19951, Business and Professions Code.
20

1 **California Code of Regulations, Title 4. Business Regulations**
2 **Division 18. California Gambling Control Commission**
3 **Chapter 7. Conditions of Operation for Gambling Establishments.**
4
5
6
7

8 **Article 2. Emergency Preparedness and Evacuation Plan**
9

10 **Section 12370. Emergency Preparedness and Evacuation Plan**
11

12 (a) As used in this section:

13
14 (1) "Critical Incident" means a crisis situation involving the threat of serious injury or
15 death and includes not only natural disasters, but also human-caused events, such as
16 terrorist acts.
17

18 (2) "Plan" means an emergency preparedness and evacuation plan.
19

20 (b) For the purpose of ensuring the physical safety of patrons, employees, and any other
21 person while in the gambling establishment, each gambling establishment licensed for
22 five or fewer tables shall promptly develop and implement a plan for the gambling
23 establishment which includes, but is not limited to, the following:
24

25 (1) Response plan for fire and other critical incidents.
26

27 (2) Location of a telephone available for placing a 911 emergency call.
28

29 (3) Procedure for securing or protecting the gambling establishment's cash or
30 equivalent assets and records.
31

32 (4) Facility evacuation routes and procedures.
33

34 (5) A diagram of the establishment showing the exits.
35

36 (6) A description of how exits are marked.
37

38 (c) For the purpose of ensuring the physical safety of patrons, employees, and any other
39 person while in the gambling establishment, each gambling establishment licensed for
40 more than five tables shall promptly develop and implement a plan which includes, but is
41 not limited to, the following:
42

43 (1) Clear, written policies listing the job titles of the personnel who are responsible
44 for making decisions, monitoring emergency response actions, and securing or
45 protecting the gambling establishment's cash or equivalent assets and records;
46

(2) Procedures addressing:

(A) Fires,

(B) Earthquakes, Floods and other Natural Disasters,

(C) Bomb Threats,

(D) Hazardous Spills or Toxic Exposure,

(E) Criminal Incidents,

(F) Other Critical Incidents, and

(G) Provisions for first aid and for obtaining emergency medical assistance for patrons, employees, and other persons while in the gambling establishment;

(3) Specific instructions for stopping business activities;

(4) Facility evacuation procedures, including a designated meeting site outside the facility, a process to account for employees after an evacuation, and a process to ensure that all patrons have been evacuated; and

(5) Specific training and practice schedules.

(d) Each plan shall be consistent with state and local requirements. ~~Beginning November 1, 2004, each licensee shall submit a copy of its current plan as part of its annual renewal application. Beginning January 1, 2005, as~~ Beginning November 1, 2004, each licensee shall submit a copy of its current plan as part of its annual renewal application. Beginning January 1, 2005, as ~~As~~ part of its annual ~~license~~ annual renewal application, each licensee shall submit ~~two copies~~ one copy ~~two copies~~ of its current plan, and:

(1) If the responsible local authority provides reviews, the licensee shall send documentation of the areas reviewed by the responsible local authority and whether or not the responsible local authority approved those areas of the plan under the responsible local authority's jurisdiction, pursuant to Health and Safety Code section 13143.5, subdivision (f). Health and Safety Code section 13143.5, subdivision (f)(2) provides that any fee charged pursuant to the enforcement authority of subdivision (f) shall not exceed the estimated reasonable cost of providing the service for which the fee is charged. The Commission may send ~~one~~ a copy of the plan to the Division to review those areas of the plan not under the responsible local authority's jurisdiction.

(2) If the responsible local authority does not provide reviews, the licensee shall send the plan to the State Fire Marshall, and shall send the Commission documentation of whether or not the State Fire Marshall has approved the plan's fire and panic safety provisions. The Commission shall send ~~one~~ a copy of the plan to the Division to

review either subsection (b)(3) or subsections (c)(1), (c)(2)(E) and (c)(3), depending on the number of tables for which the gambling establishment is licensed.

(e) Each licensee shall, at least annually, provide for the review of the requirements of the plan with employees, ensuring that each employee has a general understanding of the provisions of the plan applicable to his or her position and understands his or her specific duties under the plan and the appropriate exit or exits to be used, where applicable. This annual review shall be documented, including signatures by the employee and the licensee or key employee who provided the review, as part of the licensee's application for renewal. When a new employee begins work, a licensee or key employee shall review the requirements of the plan with the new employee, ensuring that each new employee has a general understanding of the provisions of the plan applicable to his or her position and understands his or her specific duties under the plan and the appropriate exit or exits to be used, where applicable.

(f) If the Commission determines that the licensee's plan does not address the elements set forth in this regulation, then the Commission may issue a determination identifying the deficiencies and specifying a time certain within which those deficiencies shall be cured.

(g) Failure by a licensee to develop and implement a plan, or to cure a deficiency identified pursuant to subsection (f), constitutes an unsuitable method of operation and also may result in denial of an application for license renewal or in suspension or revocation of its existing license.

(h) In addition to any other remedy under this section, the Commission may assess a civil penalty of at least \$500 but no more than \$5000 for each violation of this section.

Authority cited: Sections 19811, 19824 ~~and~~ and 19840 ~~and 19876~~, Business and Professions Code.

Reference: Sections 19801, 19823, 19841, 19860, 19920 and 19924, Business and Professions Code.

Article 4. Accounting And Financial Reporting

12400. Definitions.

(a) Except as otherwise provided in subdivision (b), the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.

(b) As used in this chapter:

(1) "Authorized game" means a controlled game approved by the Division of Gambling Control.

- (2) "Dealer's bank" means the total amount of moneys a dealer of the gambling establishment has on deposit with the gambling establishment for chip trays.
- (3) "Drop" means the total amount of compensation collected from patrons of a gambling establishment to play in controlled games.
- (4) "Fiscal year" means ~~the annual period used by a licensee for financial reporting purposes a calendar year commencing on January 1 and ending on the following December 31~~ the annual period used by a licensee for financial reporting purposes.
- (5) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or more for the preceding fiscal year.
- (6) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.
- (7) "Group III licensee" means a licensee with a reported gross revenue of less than \$2 million for the preceding fiscal year.
- (8) "Jackpot" means a gaming activity appended to the play of an authorized game in a gambling establishment in which a prize is awarded based on predetermined criteria.
- (9) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee for administering a jackpot.
- (10) "Licensee" means "owner licensee" as defined in Business and Professions Code section 19805(y).
- (11) "Player's bank" means the total amount of moneys a patron of the gambling establishment has on deposit with the gambling establishment.

Authority cited: Sections 19811, 19823, 19824, 19840 and 19841, Business and Professions Code.

Reference: Sections 19805, ~~and~~ 19841, 19880(d), 19890(e) and 19951(d), Business and Professions Code.

12403. Financial Statements and Reporting Requirements.

(a) A licensee shall prepare financial statements covering all financial activities of the licensee's gambling operation for each fiscal year, in accordance with generally accepted accounting principles unless otherwise provided in this section. If the licensee (or a person or entity that has an interest, control, or common control with the licensee) owns or operates lodging, food, beverage, or any other non-gambling operation at the

1 establishment, the financial statements must reflect the results of the gambling operation
2 separately from those non-gambling operations.

3
4 (1) A Group I licensee shall engage an independent accountant licensed by the
5 California Board of Accountancy to audit the licensee's annual financial statements in
6 accordance with generally accepted auditing standards.

7
8 (2) A Group II licensee shall engage an independent accountant licensed by the
9 California Board of Accountancy to review the licensee's annual financial statements
10 in accordance with standards for accounting and review services or with currently
11 applicable professional accounting standards. The Division or Commission may
12 require the licensee, or the licensee may elect, to engage, an independent accountant
13 licensed by the California Board of Accountancy to audit the annual financial
14 statements in accordance with generally accepted auditing standards, if there are
15 concerns about the licensee's operation or financial reporting, including but not
16 limited to:

17
18 (A) Inadequate internal control procedures;

19
20 (B) Insufficient financial disclosure;

21
22 (C) Material misstatement in financial reporting;

23
24 (D) Inadequate maintenance of financial data; or

25
26 (E) Irregularities noted during an investigation.

27
28 (3) A Group III licensee with a gross revenue of \$500,000 or more per year shall
29 prepare financial statements including at a minimum a statement of financial position,
30 a statement of income or statement of operations, and disclosure in the form of notes
31 to the financial statements. If the licensee is unable to produce the financial
32 statements, it shall engage an independent accountant licensed by the California
33 Board of Accountancy to perform a compilation of the licensee's annual financial
34 statements in accordance with standards for accounting and review services or with
35 currently applicable professional accounting standards, including full disclosure in the
36 form of notes to the financial statements. The Division or Commission may require
37 the licensee, or the licensee may elect, to engage an independent accountant licensed
38 by the California Board of Accountancy to compile or review the licensee's financial
39 statements in accordance with standards for accounting and review services, or to
40 audit the financial statements in accordance with generally accepted auditing
41 standards, if there are concerns about the licensee's operation or financial reporting,
42 including but not limited to:

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44 (A) Inadequate internal control procedures;

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46 (B) Insufficient financial disclosure;

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- (C) Material misstatement in financial reporting;
- (D) Inadequate maintenance of financial data; or
- (E) Irregularities noted during an investigation.

(4)(A) A Group III licensee with a gross revenue of less than \$500,000 per year shall prepare financial statements that include, at a minimum, a statement of financial position and a statement of income or statement of operations. If the licensee is unable to produce the financial statements, it shall do one of the following:

1. Engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards and management may elect not to provide footnote disclosures as would otherwise be required by generally accepted accounting principles.
2. Submit to the Division and Commission no later than 120 calendar days following the end of the year covered by the federal income tax return, copies of the licensee's complete signed and duly filed federal income tax return for the tax year in lieu of the financial statements as otherwise required under this section.

(B) The Division or Commission may require the licensee, or the licensee may elect, to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

1. Inadequate internal control procedures;
2. Insufficient financial disclosure;
3. Material misstatement in financial reporting;
4. Inadequate maintenance of financial data; or
5. Irregularities noted during an investigation.

(b) Unless otherwise provided in this section, a licensee shall submit copies of the annual financial statements, with the independent auditor's or accountant's report issued to meet the requirements under this section, to the Division and Commission no later than 120

1 calendar days following the end of the fiscal year covered by the financial
2 statements. ~~April 30 of each calendar year. These annual financial statements and the~~
3 ~~independent auditor's or accountant's reports shall cover financial activities for the fiscal~~
4 ~~year immediately preceding the date on which the statements and reports are due~~ 120
5 calendar days following the end of the fiscal year covered by the financial statements. If a
6 management letter is issued, a copy of the management letter must also be submitted to
7 the Division and Commission, including the licensee's reply to the management letter, if
8 any.

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10 (c) The Division or Commission may request additional information and documents from
11 either the licensee or the licensee's independent accountant, regarding the annual financial
12 statements or the services performed by the accountant.

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14 (d) The Division or Commission may require the licensee to engage an independent
15 accountant licensed by the California Board of Accountancy to perform a fraud audit in
16 the event that fraud or illegal acts are suspected.

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18 Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions
19 Code.

20 Reference: Section 19841, Business and Professions Code.